

Message Text

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ACTION EB-07

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SUBJECT: TIN CONFERENCE PROGRESS REPORT NUMBER THREE

REF: GENEVA 4098 (NOTAL)

1. SUMMARY. IN COURSE OF SECOND READING OF DRAFT AGREEMENT AND IN WORKING GROUP MEETINGS SOME FORWARD MOTION WAS ACHIEVED ON ISSUE OF SIZE AND FINANCING OF BUFFER STOCK. NEVERTHELESS, SOME DELEGATIONS ARE INFORMALLY ADVOCATING RECESSING CONFERENCE AFTER SIMPLY EXTENDING FOURTH AGREEMENT TO JUNE 1977 AND RESUMING NEGOTIATIONS NEXT YEAR FOR FIFTH AGREEMENT. END SUMMARY.

2. DURING WEEK OF JUNE 2 QUESTIONS OF SIZE AND FINANCING OF BUFFER STOCK WERE INTENSIVELY DISCUSSED BY WORKING GROUP AND IN INFORMAL CONSULTATIONS. PRODUCERS INITIALLY URGED INCREASE
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OF BUFFER STOCK TO 40,000 AND MANDATORY CONSUMER

CONTRIBUTION TO FINANCE SUCH INCREASE, AND HARD-LINE POSTURE OF MALAYSIAN DELEGATION IN PARTICULAR GAVE RISE TO SOME SPECULATION THAT PRODUCERS WERE NOT INTERESTED IN NEW AGREEMENT AND PREFERRED TO FORM PRODUCER CARTEL TO OPERATE BUFFER STOCK. HOWEVER, USDEL HAS BEEN ASSURED BY AMBASSADOR LAI (MALAYSIA) AND BY AUSTRALIAN DEL THAT THIS IS NOT THEIR INTENTION. LARGELY THROUGH AMBASSADOR LAI'S PERSONEL INTERVENTION THERE IS NOW SOME HOPE THAT AGREEMENT MAY BE REACHED ON BASIS OF 30,000 TON BUFFER STOCK TO WHICH CONSUMERS WOULD MAKE VOLUNTARY CONTRIBUTIONS.

3. USDEL HAS INFORMALLY DISCUSSED WITH LAI AN ARRANGEMENT ALONG THESE LINES: PRODUCERS TO CONTRIBUTE 20,000 TONS IN TIN OR CASH, WITH CONTRIBUTIONS EQUIVALENT TO MARKET PRICE OF TIN AT TIME CONTRIBUTION IS PAID IN. CONSUMERS ARE QTE INVITED UNQTE TO MAKE CONTRIBUTIONS TO PROVIDE AN ADDITIONAL 10,000 TONS. FURTHER MORE, ITC WOULD BE AUTHORIZED AS AT PRESENT TO BORROW IN CAPITAL MARKET TO FINANCE ADDITIONAL OPERATIONS TO SUPPORT FLOOR PRICE AND AVOID EXPORT CONTROLS.

4. LAI INDICATED THAT IMPORTANT POINT WAS THAT FIFTH AGREEMENT WOULD GO BEYOND FOURTH AGREEMENT IN INVOLVING CONSUMERS IN BUFFER STOCK FINANCING. ABOVE FORMULA COULD HAVE THAT EFFECT IF CONSUMERS WILL RESPOND TO QTE INVITATION UNQTE. HE HOPES THAT SEVERAL COUNTRIES IN ADDITION TO FRANCE AND NETHERLANDS WILL MAKE PLEDGES BEFORE CONCLUSION OF CONFERENCE. (HOWEVER, INFORMAL UDEL POLL WAS NOT ENCOURAGING. JAPANESE ARE FAVORABLY CONSIDERING POSSIBILITY, BUT MAY NOT GET NECESSARY GOJ CLEARANCE SOON ENOUGH. CANADIANS ODDLY COULD AGREE TO MANDATORY CONTRIBUTION, BUT ANTICIPATE DIFFICULTY IN GETTING CABNET APPROVAL FOR VOLUNTARY PAYMENT. UK AND FRG LACK POLICY, ALTHOUGH FRG DEL, DOMINATED BY ECON MINISTRY, HAS NEGATIVE INCLINATIONS. UNDERSTAND FRG CABINET WILL DEAL WITH COMMODITY POLICY JUNE 10. WOULD APPRECIATE ANY AVAILABLE INFO FROM BONN ON OUTCOME.)

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5. AS AN INCENTIVE FOR CONSUMER PARTICIPATIONS IN BUFFER STOCK FINANCING, LAI PROPOSED FOLLOWING VOTING ARRANGEMENTS ON BUFFER STOCK QUESTIONS: PRODUCER GROUP AND CONSUMER GROUP WOULD EACH HAVE 1,000 VOTES. OF CONSUMER VOTES 600 WOULD BE ALLOCATED ACCORDING TO PERCENT OF TRADE; REMAINING 400 WOULD BE DIVIDED AMONG CONTRIBUTING COUNTRIES IN ACCORDANCE WITH THEIR PERCENTAGE OF PARTICIPATION IN TOTAL CONSUMER

CONTRIBUTIONS. SUCH AN ARRANGEMENT WOULD ACTUALLY BE MODIFICATION OF PRODUCER ATTITUDE THAT NON-CONTRIBUTORS SHOULD HAVE NO CHOICE IN BUFFER STOCK OPERATIONS. (NO PLAYA DE GAME, ETC.)

6. LAI ALSO SUGGESTED, AND SEEMS TO FAVOR POSSIBILITY OF NOT MAINTAINING ANY BUFFER STOCK, BUT RELYING ON STAND-BY CREDIT ARRANGEMENTS TO COVER EVENTUAL PURCHASE OF 20-30 THOUSAND TONS IF NECESSARY TO SUPPORT FLOOR PRICE. ALL MEMBERS WOULD SHARE IN FINANCING STAND-BY FEES (AT PRESENT ON MIL) AND EVENTUAL INTEREST PAYMENTS IF CREDIT LINE UTILIZED. UNDER THIS PLAN CEILING PRICE COULD BE DEFENDED ONLY TO EXTENT BUFFER STOCK HAD PREVIOUSLY ACQUIRED TIN TO SUPPORT FLOOR AND WOULD PROBABLY NEED SUBSTANTIAL GSA ASSIST (WHICH MIGHT ALSO BE NEED UNDER PLAN IN PARAGRAPH 2, ABOVE).

7. UK DEL HAS BEEN PEDDLING IDEA OF A LEVY SYSTEM (APPLICABLE TO EXPORTS AND IMPORTS) TO FINANCE BUFFER STOCK OPERATIONS. IDEA HAS BEEN ALMOST UNANIMOUSLY REJECTED BY OTHER DELEGATIONS.

8. LAI IS IN LONDON THIS WEEK AS MEMBER OF COMMONWEALTH EXPERTS GROUP SET UP AT KINGSTON MEETING. WE DO NOT YET KNOW TO WHAT EXTENT PRODUCER GROUP IS WILLING TO ACCEPT HIS APPROACH. DALE

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